



March 30, 1999

Carole Washburn, Secretary  
[Washington Utilities and Transportation Commission](#)  
PO Box 47250  
Olympia, WA 98504-7250

**Subject:** [Docket No. UE-990247; Advice No. 99005 Puget Sound Energy's Electric Filing; Advice No. 99006, Natural Gas Filing](#)

Dear Ms. Washburn:

Thank you for considering the following the comments of the Department of Community, Trade and Economic Development's (CTED) Energy Policy Group on Puget Sound Energy's (PSE) March 1999 filing of its energy conservation programs. We have continued to participate in PSE's technical advisory group (TAG) as PSE developed its conservation programs and discussed its integrated resource plan. We support PSE's filing. We request that the Commission support it in order to continue the delivery of cost-effective conservation in PSE's service territory. However, we would like to take this opportunity to address the following: a few highlights of the filing, a number of concerns that arose during this TAG process, the disincentives that Washington investor-owned utilities have to implement effective conservation and low-income programs, and the potential role that the state's regulatory agency could play in shaping the future efforts of Washington's investor-owned utilities.

Our comments are based on what we understand to be the latest changes to the 3/1/99 filing which are: elimination of the distribution planning/fuel switching program, deferral to the Northwest Power Planning Council's (NWPPC) figure for avoided cost for all of their programs, and inclusion of non-energy benefits to the analysis of cost-effectiveness for low-income programs.

### **Highlights of the Filing**

There are several components of the filing that are worth special note.

#### **Three Year Program**

The Company is making a commitment to a three-year program. This is a big improvement that should serve the company's conservation staff and its consumers well.

It is unrealistic to expect anyone to design and effectively implement 12 or 18-month conservation or low-income programs. These programs need stable staffing and marketing to ensure continuity to consumers and to secure savings.

#### Increased Investment

The filing suggests that the Company will be collecting and investing more funds than it has for the last two years. In fact, Company staff has told stakeholders that these budgets are not ceilings and that they will consider doing more cost-effective conservation. We would like to secure commitments that the Company will meet or potentially exceed their published savings targets. We would like to see a review process developed to assist stakeholders in tracking Company progress on their targets.

#### Non-energy Benefits

Recent discussions between stakeholders and company staff have indicated the company is willing to include non-energy benefits in the analysis for selecting low-income conservation measures. We support this very useful step.

#### Alliance Funding

The company has volunteered to join with other investor-owned utilities in the region and with the Bonneville Power Administration to continue funding the Northwest Energy Efficiency Alliance (Alliance). The Alliance now has a two-year track record to review. It is implementing over 30 projects ranging from new technologies that will transform sewage treatment processes to co-financing research of silicon ingot producing furnaces in order to achieve energy savings in both the semiconductor and solar industries. Both projects have a high likelihood of success and, in the years ahead, may actually become additional funding sources for the Alliance as it earns a return on its start-up investment.

On average, the Alliance's programs are costing 5-10 mills per kilowatt-hour saved. The total resource cost for the Alliance's programs is less than five mills due to their savings of other resources, such as water. The Alliance operates in a very public forum with all constituents having access to both Board members and staff. It has demonstrated some very significant successes. While the Alliance still has room for growth and improvement, it is clearly the most successful structural model in the country, at this time, for achieving strategic, leveraged, long-term energy savings. The Board is currently considering modifying its by-laws to include a consumer representative on the Board. We welcome the Commission's comments on this possible Board modification. While we are very pleased that the region's investor-owned utilities have agreed to continue funding for another three years, we are disappointed that they have reduced the regional funding level to \$20 million per year.

## Funding for 1997 TAG proposals

The Company has created a budget and has designed two programs that were instigated by the TAG and committed to by PSE in 1997 – bulk apartment sized efficient refrigerators and weatherization of high bill duplexes and triplexes. Some members of the TAG recommended these programs because the programs were designed to serve lower income residents and because PSE can use incentives cost-effectively in these marketplaces to leverage energy savings that are seemingly unachievable without incentives. The budgets for these programs are small, representing less than 4% of PSE's budget, but we view them as a progressive step towards delivering savings to the underserved as well as to the system.

## Natural Gas Funding

We are pleased that PSE continues to support some natural gas efficiency programs.

## Energy Information Programs

We have a few comments on energy information programs. CTED has observed a national trend for utilities to deliver conservation programs with smaller budgets that have information or customer service as a core program component. In order to be more informed to address this trend, CTED has had a subcontractor reviewing the results of various informational, educational or marketing efforts that are designed to modify energy consuming attitudes and practices with the goal of reducing consumption. This research review indicates the following.

First, education needs context and support; if we educate students or adults about technologies and practices that reduce consumption, then we need to create a market in which those technologies are available and those practices are acceptable. Combining educational programs for low-income residents with weatherization programs and site visits is one example of an integrated approach. Another example might be integrating a school Resource Conservation Manager with a student academic curriculum with a program component that is sent home and involves parents. Second, marketing programs can be effective, but they need to be consumer oriented, strategic and ongoing. Third, informational programs must respond to consumer's interests and motivations. While none of this information is a surprise it suggests that effective consumer education or marketing efforts focus on consumers, is ongoing, and is one part of an integrated approach. Based on this research, we are very supportive of continued funding for an energy education program delivered through the schools. Our primary suggestion is that PSE integrate the RCM program with its academic education program.

We acknowledge that energy savings due to educational programs cannot always be immediately measured in the near-term, though changes in consumer attitudes, as a result of marketing campaigns, have been measured. Despite this difficulty in measurement, we will continue to support targeted educational or marketing campaigns as one effective approach in a comprehensively designed toolbox of approaches.

This research also guides us to prioritize funds for informational programs that use existing market channels. PSE's hotline service does not do this. Data does not indicate that increased knowledge alone will result in energy saving practices. The hotline service is not effectively marketed nor does it place information in the consumer's normal decision making channels. The majority of consumers investigate the yellow pages to replace water heaters or they talk with appliance salesmen to replace appliances. Information programs will benefit from relying on existing market channels to disseminate information. Otherwise, to be effective, PSE needs to create a new market channel in which consumers, replacing energy consuming technologies, start calling PSE prior to making their purchasing decisions.

### Industrial Involvement in Program Design

We support the Company's active outreach efforts to include industrial representation on the TAG. In response to some of the industrial representatives' input, PSE has created a hi-voltage account with a great deal of flexibility to serve those industrial customers. We hope these customers are still sharing in the investment of such programs as low-income weatherization, in Concert with the

Environment, and the Alliance. We look forward to working with the interested parties to refine the hi-voltage program.

### **What is missing?**

#### Achieving One-half of Available Cost-effective Conservation

At this point the filing represents approximately four-tenths of one percent of PSE's 1997 combined natural gas and electricity revenues. However, more critical than the investment level is the projected savings level. PSE estimates electricity savings to range from 7.4 aMW in 1999 to 6.7 aMW in 2000 and 2001. Based on the NWPPC's analysis, there is at least 13 aMW of annual cost-effective savings available in PSE's service territory that the marketplace will not capture. Thus, PSE is implementing approximately one-half of the cost-effective energy savings available to it. (Our savings figures include an estimate from the Alliance that indicates one million dollars invested in the Alliance achieves one average megawatt of electricity savings.)

#### Dismissal of TAG Program Suggestions

The TAG had the opportunity to provide program suggestions to company staff. We are disappointed at the amount of time and energy that was spent by stakeholders and also by a consultant to investigate and generate program ideas only to have nearly all of the suggestions dismissed. PSE indicates in a filing appendix that many of the TAG's suggestions are embedded in various tariff programs. Our interpretation of this would vary significantly from theirs. For example, the first program suggestion listed from the TAG is the Energy Star Appliance program. This program was designed nationally to make it simple for consumers to purchase energy efficient appliances. The program was

designed to create a visible presence for the Energy Star label in retail dealerships and to ensure training, to participating dealers, on the consumer benefits of qualifying appliances. PSE's support of this program is limited to providing information or brochures to consumers who telephone the hotline with specific requests. We don't consider that to be participating in the Energy Star program.

#### Programs with Added Value

We also have concerns that the company has not focused on how they can add value to a certain marketplace to achieve energy savings. Many of the program descriptions include language such as, "upon customer request." Public ratepayer funds are needed most not where the customers are requesting assistance but where they are not informed of their options or where they have doubts as to the credibility of a product or process and need some insurance to alleviate those concerns. These types of programs require well-orchestrated outreach efforts or marketing campaigns. Programs that indicate they are responding to customer requests resemble customer service programs more than strategically leveraged conservation programs.

#### Avoided Cost Calculation Absent

There is still no published avoided cost for PSE's system. We interpreted the Commission's spring 1997 order for Docket No. UE-970686 to direct the company to calculate an avoided cost. We interpreted company representatives' comments to indicate a commitment to calculate avoided cost and to complete a least cost plan by spring or summer of 1998. Neither is available.

#### Fuel Switching and Distribution Planning

PSE introduced the concept of using the tariff rider to finance a distribution planning/fuel-switching program in February 1999. CTED supports well designed fuel-switching programs that result in the more efficient use of energy resources. CTED also supports distribution planning that results in delivering energy to consumers for the lowest total cost. While we have questions about how to pay for the various portions of this type of program, we are generally supportive of both the concept and the approach that PSE took to analyze this program. PSE's original program design raises several questions that are worth answering. Should ratepayers pay for lost margins? Should the tariff rider pay 100% of the costs of a program that is designed to result in significant savings to the distribution system? What were the intended benefits of the merger as they relate to dual fuel energy resource and distribution planning? It would be valuable if Commission staff, company staff and interested stakeholders could reconvene in the near future to deal with these unresolved questions and potentially enable PSE to deliver a distribution targeted, fuel switching program during the three year period of this filing.

#### Incentives to Encourage Effective Achievement of Conservation

More broadly, we believe that it would benefit ratepayers and stakeholders if the Commission created a forum to address these questions about fuel switching as well as much broader questions that address the disincentives that investor-owned utilities face in implementing effective conservation and to discuss what model(s) might work best in Washington for achieving conservation.

Washington does not appear to be on the brink of formal industry restructuring, though there is great change occurring annually in the electricity industry. We do not believe that stakeholders should or could rely on legislative restructuring to resolve the issue of dwindling achievement in cost-effective conservation. Investor-owned utilities are under continuing pressure to sell product and generate more revenues. Least cost plans are not being produced or followed; PSE specifically has not completed an integrated resource plan in years and other utilities are being granted exemptions. Repeatedly, stakeholders hear from a variety of utility representatives that conservation programs must not only be cost-effective, they must be good for the company. This is a critical time for investor-owned monopolies to receive more specific direction from the state's regulatory agency regarding the goals of ratepayer-funded conservation and low-income weatherization programs. What filter is used to screen programs? Who funds these programs? How do stakeholders know if all cost-effective conservation is being captured if there is no utility calculation of avoided cost? Does avoided cost reflect the costs of eventual new plant construction or is wholesale market price sufficient?

We thank both the Commission and PSE for supporting a TAG in which stakeholders can be informed of company developments and can try to inform the process. We will be unable to participate in the Commission's March 31 open meeting that will address this filing due to multiple schedule conflicts, but we are available to respond to any questions you may have before or after that meeting. We are prepared to commit staff to a more deliberative forum in which stakeholders and the Commission address the goals of and mechanisms for achieving future energy savings and delivery of low-income weatherization.

Sincerely,

Elizabeth Klumpp  
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